

Internal Revenue Service, Treasury

§ 1.1366-1

its LIFO inventory for the FIFO value (30 percent of \$100). Under paragraph (b)(1) of this section, J must include \$30 in income in its taxable year ending on December 31, 2004. Under paragraph (e)(2) of this section, J must increase its basis in its interest in JK by \$30. Under paragraphs (e)(2) and (3) of this section, and in accordance with section 743(b) principles, JK may elect to increase the basis (with respect to J only) of its inventory by \$30.

(g) *Effective dates.* (1) The provisions of paragraph (a)(1) of this section apply to S elections made after December 17, 1987. For an exception, see section 10227(b)(2) of the Revenue Act of 1987.

(2) The provisions of paragraph (a)(2) of this section apply to transfers made after August 18, 1993.

(3) The provisions of paragraphs (b), (c), (d), (e)(2), (e)(3), and (f) of this section apply to S elections and transfers made on or after August 13, 2004. The rules that apply to S elections and transfers made before August 13, 2004, are contained in § 1.1363-2 as in effect prior to August 13, 2004 (see 26 CFR part 1 revised as of April 1, 2005).

[T.D. 8567, 59 FR 51106, Oct. 7, 1994, as amended by T.D. 9210, 70 FR 39921, July 12, 2005]

§ 1.1366-0 Table of contents.

The following table of contents is provided to facilitate the use of §§ 1.1366-1 through 1.1366-5:

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(i) *In general.*

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- (iii) *Examples.*
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- (b) Special rules for carryover of disallowed losses and deductions to post-termination transition period described in section 1377(b).

- (1) In general.
- (2) Limitation on losses and deductions.
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- (c) Carryover of disallowed losses and deductions in the case of liquidations, reorganizations, and divisions.
- (1) Liquidations and reorganizations.
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§ 1.1366-3 Treatment of family groups.

- (a) In general.
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§ 1.1366-4 Special rules limiting the pass-through of certain items of an S corporation to its shareholders.

- (a) Passthrough inapplicable to section 34 credit.
- (b) Reduction in passthrough for tax imposed on built-in gains.
- (c) Reduction in passthrough for tax imposed on excess net passive income.

§ 1.1366-5 Effective date.

[T.D. 8852, 64 FR 71644, Dec. 22, 1999, as amended by T.D. 9422, 73 FR 47530, Aug. 14, 2008]

§ 1.1366-1 Shareholder's share of items of an S corporation.

(a) *Determination of shareholder's tax liability—(1) In general.* An S corporation must report, and a shareholder is required to take into account in the shareholder's return, the shareholder's pro rata share, whether or not distributed, of the S corporation's items of income, loss, deduction, or credit described in paragraphs (a)(2), (3), and (4)